# Press Release

**Shalibhadra Corporation**

March 25, 2017

**Rating Assigned**

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|---|---|
| **Total Bank Facilities Rated*** | Rs. 10.00 Cr. |
| **Long Term Rating** | SMERA BB+ / Outlook: Stable |

** Refer Annexure for details*

**Rating Rationale**

SMERA has assigned long-term rating of '**SMERA BB+**' **(read as SMERA BB plus )** on the Rs. 10.00 crore bank facilities of Shalibhadra Corporation. The outlook is **'Stable'**.

The group was established in 1986 by the Late Shree Govindji J Khona for trading of raw cotton bales. Currently, the operations of the group are being handled by Mr. Ravindra G Khona (son) and Mr. Priyen R Khona (grandson). The Shalibhadra Group is engaged in the trading of full pressed cotton bales in Gujarat, Maharashtra, Tamil Nadu. Shalibhadra Traders (ST) and Shalibhadra Cottrade Private Limited (SCPL) were established in 1986 and 1999 respectively while SCPI was incorporated in 1992. The group supplies cotton for the making of yarns with count ranging from 20's to 60's (staple of 24 mm to 30 mm cotton).

## Key Rating Drivers

### Strengths

• **Established track of operations with experienced management**
The group has been trading in cotton bales for the past three decades. The management includes, Mr.Ravindra G Khona, Proprietor who has more than two decades of experience in the trading of raw cotton and Mr. Priyen Khona who has experience of over a decade in the industry.

• **Moderate financial risk profile**
The risk profile of the group is moderate marked by interest coverage ratio (ICR) of 1.62 times and DSCR of 1.47 times for FY2015-16. The networth stood at Rs.17.45 cr as on March 31, 2016. Further, as per 9M FY2016-17 (Provisional) the gearing improved to 1.53 times as on December 31, 2017 with interest coverage ratio (ICR) of 3.18 times and debt service coverage ratio (DSCR) of 2.84 times from April 2016 to December 2016.

• **Well established trading network**
The group has been in the business for over three decades and has developed long lasting relations with its customers and suppliers. The products are sold across Maharashtra, Gujarat, Tamil Nadu and Punjab.

### Weaknesses

• **Highly fragmented and competitive industry**
The group operates in a highly competitive and fragmented cotton industry with several organised and unorganised players.

• **Profits are susceptible to fluctuations in agro commodity prices**
The group's margins are highly susceptible to changes in cotton prices and fibre and the Minimum Support Price (MSP) fixed by the government. However, the purchase price depends on the prevailing demand-supply situation which restricts the bargaining power with suppliers. Any

adverse movement in cotton prices will further impact profitability.

### Analytical Approach
SMERA has consolidated the financial and business profiles of Shalibhadra Corporation (SC), Shalibhadra Traders (ST) and Shalibhadra Cottrade Private Limited (SCPL) together referred to as the Shalibhadra Group. The consolidation is in view of the common ownership, similarity in the lines of business and operational linkages within the group.

### Outlook: Stable
SMERA believes that SC would continue to maintain a stable outlook and benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the firm reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profitability or higher working capital requirements deteriorating the capital structure or liquidity position of the firm.

### About the Rated Entity - Key Financials
For FY2015-16, the group registered profit after tax (PAT) of Rs.2.48 cr on operating income of Rs.208.99 cr as compared to PAT of Rs.1.96 cr on operating income of Rs.147.88 cr for FY2014-15. On standalone basis, SC registered PAT of Rs.0.92 cr on operating income of Rs.66.85 cr for FY2015-16 as compared to PAT of Rs.0.71 cr on operating income of Rs.47.77 cr for FY2014-15.

### Status of non-cooperation with previous CRA (if applicable)
None

### Any other information
None

**Applicable Criteria**

- Default Recognition - https://www.smera.in/criteria-default.htm
- Consolidation Of Companies - https://www.smera.in/criteria-consolidation.htm
- Trading Entities - https://www.smera.in/criteria-trading.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

**Note on complexity levels of the rated instrument**
https://www.smera.in/criteria-complexity-levels.htm

### Rating History (Upto last three years)
Not Applicable

### *Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA BB+ / Stable |

### Contacts


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**ABOUT SMERA**

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